

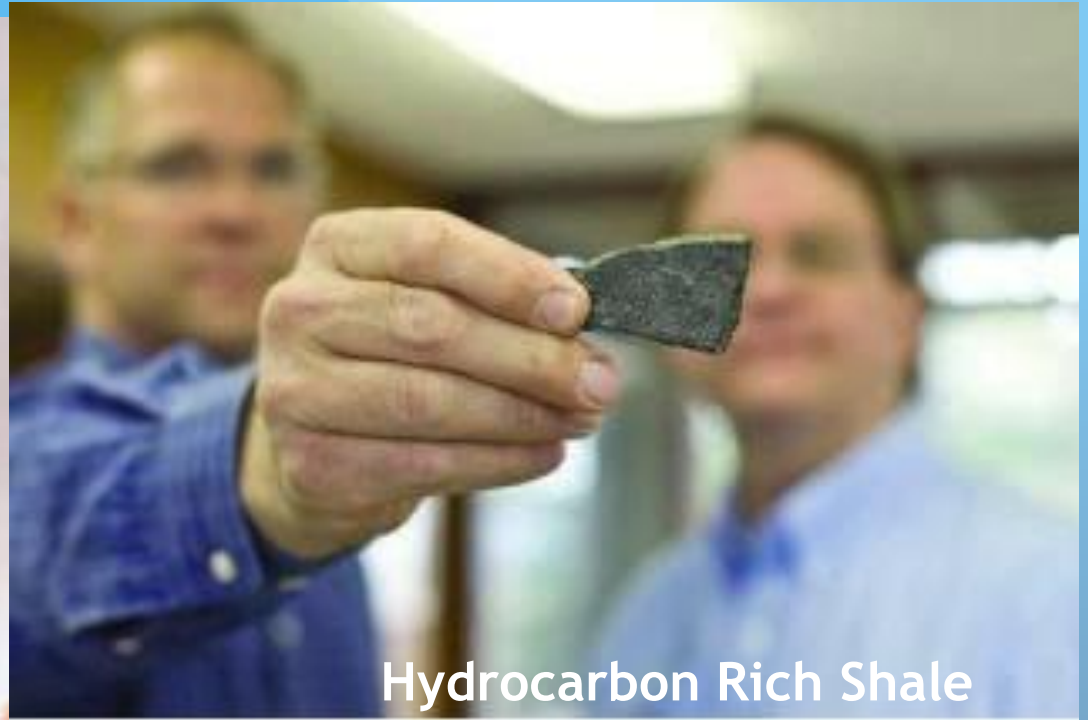
North Carolina Senate Energy Policy Issues Committee

February 15, 2012

Ray Covington, PhD



North Carolina Oil and Gas, LLC



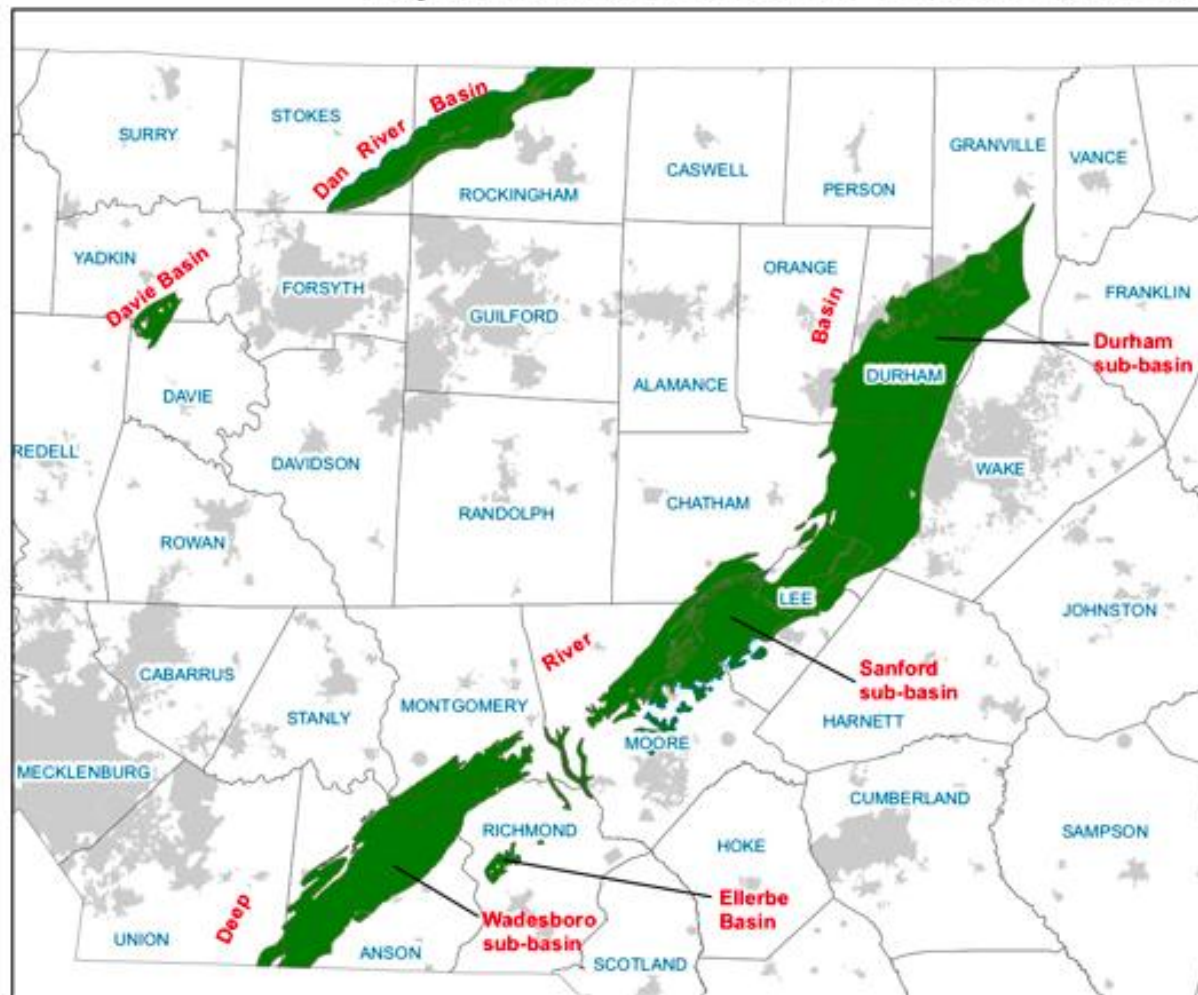
Hydrocarbon Rich Shale



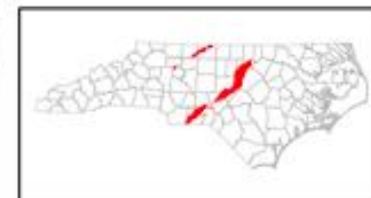
Chevron Oil Drilling Rig - Oct. 1974
Covington Farm, Lee County, NC

Chevron Oil Drilling Rig - Pocket Township, Sanford, North Carolina - Oct. 1974

Exposed North Carolina Triassic Rift Basins



- Municipalities (2006)
- County Outlines
- Triassic Basins



Location of North Carolina mapped Triassic basins.

0 10 20 40 Miles

Leasing & Royalties for Property Owners

	Avg. Lease Length	Early Leasing Level			2009 - Leasing Level	
		Year	Bonus (per acre)	Royalties	Bonus (per acre)	Royalties
New York	3-5 years	1999	\$5	12.50%	\$3,000	15%-20%
Pennsylvania	5-7 years	2002	\$12	12.50%	\$2,900	17%-18%
West Virginia	---	2007	\$5	12.50%	\$1,000-\$3,000	16%-18%
Texas	---	2000	\$1,000	20%-25%	\$10,000-\$20,000	25%-28%



Butler #3 on Myrick Land
Lee County, NC



Ray and Cade Covington
Oil Drilling in West Virginia
1988

Butler #3 - 850+ PSI



First Cookout in NC using Natural
Gas from Lee County, NC

March 26, 2011



Land and Mineral Rights Owner legislation

- Lack of property protections for landowners who do not own their mineral rights,
- Should address voluntary and forced pooling,
- The unilateral transfer of existing leases, to different and multiple companies without land and mineral rights owners' knowledge or consent.
- Compensation to landowners for damages to crops, livestock, water and land from regular drilling activities or accidents
- Arbitration clauses that deny land and mineral rights owners the right to have a trial by jury
- Impacts from gas flaring and noise pollution
- Property rights of neighbors

Land & Mineral Right Owner Friendly Leases should

- Give North Carolinians the best bonus and royalty payments possible in a developing shale gas field
- Not prey on the uneducated and elderly
- Adequately describe and compensate for impacts associated with infrastructure such as gas gathering lines, storage, compression stations, access roads, well pads, holding ponds, and on property water resources,
- Not make the landowner warrant mineral rights, and
- Adequately restore the land to its pre-drilling state

Greensboro, NC based
Shamrock Environmental
Corp. with new recycling
technology for drilling

- North Carolina has natural gas
- North Carolina can do it right
- North Carolina needs the jobs
- Thanks for working on a deliberate plan

